

Message Text

CONFIDENTIAL

PAGE 01 STATE 206099
ORIGIN SS-25

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APPROVED BY C:MNIMETZ
D:MBARNES
EUR:RDVINE
S/S-O: LRFLEISCHER
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FM SECSTATE WASHDC
TO AMEMBASSY ANKARA IMMEDIATE
INFO AMEMBASSY ATHENS PRIORITY
AMEMBASSY NICOSIA PRIORITY

C O N F I D E N T I A L STATE 206099

EXDIS

E.O. 11652: GDS

TAGS:TU,US,EFIN

SUBJECT:ELEKDAG EXPRESSES UNHAPPINESS WITH IMF

REF: STATE 204756

1. IN RESPONSE TO TURKISH MFA SECGEN ELEKDAG'S REQUEST A MEETING WITH DEPUTY SECRETARY CHRISTOPHER WAS ARRANGED MORNING AUGUST 11. ELEKDAG WAS ACCOMPANIED BY AMBASSADOR ESENBEL AND MFA OFFICIAL KUSTAOGLU. UNDERSECRETARY COOPER, COUNSELOR NIMETZ, ACTING ASSISTANT SECRETARY HORMATS (EB), AND OFFICERS FROM EUR/SE WERE ALSO PRESENT.

2. ELEKDAG RECOUNTED FOR THE DEPUTY SECRETARY HIS CONVER-
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SATION OF THE PREVIOUS DAY WITH DALE AND WHITTOME OF THE IMF (REFTEL). HE SAID HE HAD ARGUED THAT IT IS TOO EARLY TO JUDGE THE RESULTS OF THE ECEVIT GOVERNMENT'S STABILIZATION PROGRAM AND HAD EXPLAINED THE REASONS TURKEY HAD BEEN UNABLE TO MEET SOME OF THE PERFORMANCE CRITERIA OF THE AGREEMENT. HE HAD TRIED TO ALLAY THEIR CONCERNS BY TELLING THEM THE GOT WOULD BE PREPARED TO DISCUSS POSSIBLE NEW

STRONG STEPS IN SEPTEMBER AFTER THE SECOND TRANCHE (40 MILLION SDR) HAD BEEN DRAWN DOWN. HE SAID HE HAD FAILED TO CONVINCE THEM, HOWEVER, AND PRESENT PROSPECTS ARE THAT THE IMF WILL REFUSE TO ALLOW TURKEY TO MAKE ITS DRAWDOWN AUGUST 26.

3. ELEKDAG SAID THE PERSISTENCE OF THE IMF IN THIS POSITION WILL UNDERMINE THE PROCESS OF STABILIZATION, IMPEDE THE INFLOW OF NEW CREDITS, FURTHER SLOW DOWN INDUSTRIAL PRODUCTION (RAISING THE SPECTRE OF INDUSTRIAL WORKERS IN THE STREETS), AND CREATE SOCIAL AND POLITICAL DIFFICULTIES WHICH COULD PLACE TURKEY'S DEMOCRATIC SYSTEM IN JEOPARDY.

4. THE DEPUTY SECRETARY EXPRESSED SYMPATHY. HE SAID THE US HAD BEEN PLEASED WHEN TURKEY AND THE IMF HAD BEEN ABLE TO REACH AGREEMENT AND HAD WANTED TO LEND ITS SUPPORT. THIS WAS THE REASON THE ADMINISTRATION HAD ASKED FOR A DOLS 50 MILLION SUPPORTING ASSISTANCE LOAN FOR TURKEY. HE SAID HE WISHED THE US WERE ABLE TO DO SOMETHING TO RESOLVE TURKEY'S PROBLEM WITH THE IMF, BUT HE POINTED OUT THAT AN IMPORTANT ELEMENT OF THE IMF'S ABILITY TO FUNCTION EFFECTIVELY IS ITS INDEPENDENCE.

5. UNDERSECRETARY COOPER EXPRESSED AGREEMENT WITH ELEKDAG'S CONTENTION THAT IT IS TOO EARLY TO EVALUATE THE RESULTS OF THE STABILIZATION PROGRAM. HE SAID IT IS NOT CONFIDENTIAL

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TOO EARLY, HOWEVER, TO JUDGE WHETHER A COUNTRY IS LIVING UP TO ITS COMMITMENTS AND HE UNDERSTOOD THAT THE IMF HAD SOME SERIOUS QUESTIONS ABOUT TURKEY'S PERFORMANCE IN THIS REGARD. COOPER SAID HE WANTED TO ASSIST IN ANY WAY HE COULD, HOWEVER, AND HE PROMISED THAT WHILE IN NEW YORK WEEK OF AUGUST 14 HE WOULD CHECK INTO REASONS WHY THE RESCHEDULING OF TURKEY'S FOREIGN BANK DEBT IS GOING SO SLOWLY.

6. THE DEPUTY SECRETARY THEN SUGGESTED THAT THE GOT MIGHT CONSIDER WHETHER THE TURKISH FINANCE MINISTER SHOULD PROMPTLY COME TO WASHINGTON TO EXPLAIN TO THE FUND THE REASONS FOR TURKEY'S NON-COMPLIANCE AND THE REMEDIAL ACTIONS IT EXPECTS TO TAKE. AFTER THANKING THE DEPUTY SECRETARY FOR HIS SUGGESTION ELEKDAG REPEATED HIS APPEAL FOR US ASSISTANCE. HE AGAIN EXPRESSED HIS FEAR THAT IMF PERSISTENCE IN ITS PRESENT POLICIES WOULD THREATEN TURKISH DEMOCRACY. IF THE US IS INTERESTED IN THE MAINTAINENCE OF TURKISH DEMOCRACY, HE SAID, IT SHOULD CONSIDER HOW IT MIGHT PERSUADE THE FUND TO BE FLEXIBLE.

7. THE DEPUTY SECRETARY REAFFIRMED US INTEREST IN TURKEY

AND SAID EITHER HE OR UNDERSECRETARY COOPER WOULD AGAIN
SPEAK TO TREASURY UNDERSECRETARY SOLOMON TO SEE WHETHER THE
US COULD PROPERLY DO ANYTHING FURTHER TO HELP.

8. AS THE MEETING ENDED ELEKDAG AGAIN VOICED HIS FEAR THAT
THE PRESENT SITUATION MAY POSE A THREAT TO TURKISH DEMO-

CRACY. HE SAID THAT IF THE IMF DOES NOT YIELD THE US
MIGHT BE FORCED TO UNDERTAKE AN EFFORT SIMILAR TO THE ONE
IT DID WITH PORTUGAL. COOPER SAID IT WOULD NOT BE EASY TO
MOUNT ANOTHER RESCUE OPERATION LIKE THE ONE WITH PORTUGAL.
IT WAS ALSO POINTED OUT THAT THE PORTUGAL PROGRAM HAD
BEEN SUBJECT TO AN IMF AGREEMENT. COOPER CONCLUDED BY
AGAIN SAYING THAT THE US WOULD DO WHAT IT COULD TO HELP
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TURKEY BUT HE URGED THAT THE GOT DO WHAT IT COULD TO WORK
OUT ITS PROBLEMS WITH THE IMF.

9. SHORTLY AFTER THE CONCLUSION OF THIS MEETING ELEKDAG
CALLED TO SAY HE HAD RECEIVED INSTRUCTIONS FROM PRIME
MINISTER ECEVIT TO SEEK ANOTHER APPOINTMENT WITH DEPUTY
SECRETARY CHRISTOPHER. THAT MEEING WAS ARRANGED FOR THE
MORNING OF AUGUST 12. CHRISTOPHER

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ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

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APPROVED BY: S/S-O:RSNIDER

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FM SECSTATE WASHDC

INFO USMISSION USUN NEW YORK IMMEDIATE 0000

C O N F I D E N T I A L STATE 206099

EXDIS FROM UNA

FOLLOWING REPEAT STATE 206099, ACTION ANKARA INFO ATHENS
NICOSIA 15 AUG:

QUOTE C O N F I D E N T I A L STATE 206099

EXDIS

E.O. 11652: GDS

TAGS:TU,US,EFIN

SUBJECT:ELEKDAG EXPRESSES UNHAPPINESS WITH IMF

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2. ELEKDAG RECOUNTED FOR THE DEPUTY SECRETARY HIS CONVERSATION OF THE PREVIOUS DAY WITH DALE AND WHITTOME OF THE IMF (REFTEL). HE SAID HE HAD ARGUED THAT IT IS TOO EARLY TO JUDGE THE RESULTS OF THE ECEVIT GOVERNMENT'S STABILIZATION PROGRAM AND HAD EXPLAINED THE REASONS TURKEY HAD BEEN UNABLE TO MEET SOME OF THE PERFORMANCE CRITERIA OF THE AGREEMENT. HE HAD TRIED TO ALLAY THEIR CONCERNS BY TELLING THEM THE GOT WOULD BE PREPARED TO DISCUSS POSSIBLE NEW STRONG STEPS IN SEPTEMBER AFTER THE SECOND TRANCHE (40 MILLION SDR) HAD BEEN DRAWN DOWN. HE SAID HE HAD FAILED TO CONVINCE THEM, HOWEVER, AND PRESENT PROSPECTS ARE THAT THE IMF WILL REFUSE TO ALLOW TURKEY TO MAKE ITS DRAWDOWN AUGUST 26.

3. ELEKDAG SAID THE PERSISTENCE OF THE IMF IN THIS POSITION WILL UNDERMINE THE PROCESS OF STABILIZATION, IMPEDE THE INFLOW OF NEW CREDITS, FURTHER SLOW DOWN INDUSTRIAL PRODUCTION (RAISING THE SPECTRE OF INDUSTRIAL WORKERS IN THE STREETS), AND CREATE SOCIAL AND POLITICAL DIFFICULTIES WHICH COULD PLACE TURKEY'S DEMOCRATIC SYSTEM IN JEOPARDY.

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THIS WAS THE REASON THE ADMINISTRATION HAD ASKED FOR A DOLS 50 MILLION SUPPORTING ASSISTANCE LOAN FOR TURKEY. HE SAID HE WISHED THE US WERE ABLE TO DO SOMETHING TO RESOLVE TURKEY'S PROBLEM WITH THE IMF, BUT HE POINTED OUT THAT AN IMPORTANT ELEMENT OF THE IMF'S ABILITY TO FUNCTION EFFECTIVELY IS ITS INDEPENDENCE.

5. UNDERSECRETARY COOPER EXPRESSED AGREEMENT WITH ELEK-
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DAG'S CONTENTION THAT IT IS TOO EARLY TO EVALUATE THE RESULTS OF THE STABILIZATION PROGRAM. HE SAID IT IS NOT TOO EARLY, HOWEVER, TO JUDGE WHETHER A COUNTRY IS LIVING UP TO ITS COMMITMENTS AND HE UNDERSTOOD THAT THE IMF HAD SOME SERIOUS QUESTIONS ABOUT TURKEY'S PERFORMANCE IN THIS REGARD. COOPER SAID HE WANTED TO ASSIST IN ANY WAY HE COULD, HOWEVER, AND HE PROMISED THAT WHILE IN NEW YORK WEEK OF AUGUST 14 HE WOULD CHECK INTO REASONS WHY THE RESCHEDULING OF TURKEY'S FOREIGN BANK DEBT IS GOING SO SLOWLY.

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7. THE DEPUTY SECRETARY REAFFIRMED US INTEREST IN TURKEY AND SAID EITHER HE OR UNDERSECRETARY COOPER WOULD AGAIN SPEAK TO TREASURY UNDERSECRETARY SOLOMON TO SEE WHETHER THE US COULD PROPERLY DO ANYTHING FURTHER TO HELP.

8. AS THE MEETING ENDED ELEKDAG AGAIN VOICED HIS FEAR THAT THE PRESENT SITUATION MAY POSE A THREAT TO TURKISH DEMO-

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BEEN SUBJECT TO AN IMF AGREEMENT. COOPER CONCLUDED BY AGAIN SAYING THAT THE US WOULD DO WHAT IT COULD TO HELP TURKEY BUT HE URGED THAT THE GOT DO WHAT IT COULD TO WORK OUT ITS PROBLEMS WITH THE IMF.

9. SHORTLY AFTER THE CONCLUSION OF THIS MEETING ELEKDAG CALLED TO SAY HE HAD RECEIVED INSTRUCTIONS FROM PRIME MINISTER ECEVIT TO SEEK ANOTHER APPOINTMENT WITH DEPUTY SECRETARY CHRISTOPHER. THAT MEEING WAS ARRANGED FOR THE MORNING OF AUGUST 12. CHRISTOPHER

UNQUOTE CHRISTOPHER

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